No. 252 Bucharest, April 26, 1935

Subject: Skoda Munitions Contract; Czechoslovak Minister Recounts Rumanian Refusal of Competitive Japanese Offer.

871.24/131

The Honorable

The Secretary of State,

Washington.

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Sir:

Of possible interest to the Department may be the additional information reported below as having been given me by the Czechoslovak Minister, Ian Seba, in the course of the conversation I had with him on April 1st, last (despatch No. 250 of April 6, 1935).

Mr. Seba, I have the honor to report, touched also upon the muchly discussed Skoda munitions contract scandal which has troubled the waters of Rumanian politics since my assumption of charge at this post in 1933 (despatches Nos. 1046 of April 4, 1933, 1110 of August 25, 1933 and 160 of August 18, 1934).

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The final terms of settlement of this case were reported in the Bucharest Consulate's Weekly Economic Report of March 4, 1935. In that settlement Mr. Seba played an important role. That I knew of this he assumed. The particular interest of his remarks lay in his comment as to the part played by the Japanese Minister, Mr. Fujita, in bringing the matter to a head.

Some three or four months ago, Mr. Seba observed, the Japanese Minister very quietly interposed in this Skoda affair by proposing to the Rumanian Government through the intermediary of a highly placed Rumanian Army officer, that the Japanese Government should assume full responsibility for the performance of the original Skoda contract. The suggested terms, he said, were: price, 25 percent less than that quoted by Skoda; payment to be made in commodities normally exported from Rumania, i.e., oil, wood and cereals.

It is apparent that, viewed on its commercial merits, this was an attractive offer. However, when the Minister for Foreign Affairs, Mr. Titulescu, learned thereof, political rather than commercial considerations were made promptly to control. His first step was to invite Mr. Fujita to call on him.

The ensuing interview was recounted to me by Mr. Seba somewhat as follows: "Mr. Titulescu reminded the Japanese Minister of the 'standing regulations' of the Rumanian Government whereby foreign ministers serving at this post are required to address all communications on matters of international concern to the Ministry of Foreign Affairs. He then 'scolded' Minister Fujita

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for his failure to follow that practice and accused him of 'going around to the back door when he should have come in the front door' had he wished to make a proposal relative to the Skoda contract matter."

Mr. Seba then related that he had been hurriedly called to the Foreign Office where the entire matter was placed before him. It was, he said, the first time he had known of the Japanese having submitted any competitive offer. He had, he added, immediately communicated the information to his Government which, with Mr. Titulescu, was indignant at Japan's proposal.

Mr. Seba said that thereupon he exacted from Mr. Titulescu the absolute undertaking that Rumania would not deal with Japan and that he would immediately endeavor to effect a mutually satisfactory agreement between Czechoslovakia and Rumania as to the pending munitions contract. It was this undertaking, Mr. Seba added, which led at long last to final settlement of the matter.

It is not yet certain whether Mr. Seletzki, Skoda representative in Rumania at the time the contract became scandal and who has since been confined in a Rumanian prison, is to be released. It can, however, be readily inferred from Mr. Seba's comment that such release is part and parcel of the unwritten terms of the settlement; and already certain organs of the local press have reported that Seletzki has been pardoned.

It was evident that Mr. Seba considered this Japanese threat to enter the Eastern European munitions market as supporting his belief that the Japanese are ready to play into the hands of the Germans any moment. In this

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connection, Mr. Seba observed, it is not beyond wild speculation as to the future, to take this Japanese gesture as indicative of the fact that Germany, Japan and Poland (and, perhaps, Hungary and Bulgaria) will constitute the "Central Powers" of the next war.

It may be of interest to recall in this connection that the Japanese were rumored to have made a proposal to Rumania some six or eight months ago that Japanese capital should be employed to build a Rumanian munitions factory. I am, however, unable to confirm or deny this rumor except by citing generally well informed local opinion to the effect that evidently the time has not yet arrived when Rumania is willing to talk munitions business with their Japanese friends.

Respectfully yours,

Alvin M. Owsley

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qn. Copy of Despatch to: Tokyo & Prague.

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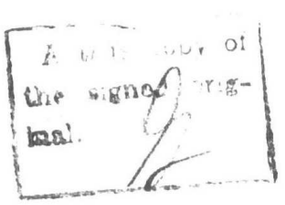

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